MANGALORE UNIVERSITY

RECOVERY MANAGEMENT POLICIES AND PRACTICES IN NON BANKING FINANCIAL COMPANIES (NBFCs)-WITH SPECIAL REFERENCE TO SELECTED NBFCs IN KARNATAKA

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1. Introduction:

A robust Banking and Non-Banking financial institutions place a crucial position in Indian financial system primarily in accelerating financial activities. As Financial intermediaries like non-banking financial companies (NBFC's) have a definite and very important role in the financial sector, particularly in a prospering economy like India. NBFC's play significant role in promoting inclusive growth in the country, by catering to the diverse financial needs of customers not provided by the banks. They have collected the needs of those borrowers who were not considered appropriate by the banks. A customer belongs to low or middle income group would not be able to pass the credit worthiness test of bank. Hence, NBFC's extending their services to those customers who avail financial services provided by the NBFC's.

The NBFC'S sector in India has witnessed significant vicissitude over the past few years and has come to be recognized as a systematically key element of the financial system. The NBFC'S segment has witnessed consolidation over the recent past, especially in the credit mobilization. Indeed it is evident in India that with the development of NBFC's segment within the overall financial system, it challenged the other segments, that is, Innovative banking activities to improve quality and competence, and deliver at flexible timings and at competitive prices. Added, NBFC's were the ones to venture first to explore the market and develop before banks entered the field as under un-organized sectors. In fact, still NBFC's are under regulation threat in the Indian financial system.

1.1 Non-Banking Financial Company

Non-Banking Financial companies (NBFC'S) in India began in a small way in the 1960s to serve the need of the saver and investor whose financial need were not adequate covered by the existing banking system in India. The NBFC's began to invite fixed deposit from investor and work out leasing deal for larger industrial firms. In the early decade their operation were on a limited scale and could not make a significant impact of financial system. However between 1980s and 1990s the NBFC's were well entered and began to attract a large number of investors owing to them customer friendly reputation. The scope of NBFC's is fast growing with multiplication of financial services. Some of NBFC's are also engaged in underwriting through subsidiary unit and by offering allied financial services including stock broking, investment banking, assets management and portfolio management. Non-Banking Financial Companies are those companies, which are not

banking companies under the banking regulation Act, but carryout financial activities of providing finance. These companies may or may not accepting deposit from the public. These provide lease finance, housing finance, trade in share, general loan and advance for share trading, hire purchase especially against automobile.

In recent times non- banking financial companies (NBFC's) have emerged substantial contributors to the Indian economics growth by supplementing the effort of banks and other financial institutions. They play key role in the direction of saving and investment. In view of rapid industrial development and liberalization of the financial sector, key financial institution and professional have promoted non-financial institution to create diversified and competitive financial system. NBFC's intermediate between saver and investor. These companies also known as finance companies, lease companies, loan companies etc.

1.2 Recovery Management in NBFC's

1.2.1: Meaning

"Recovery is the process of regaining and saving something lost or in danger of becoming costs."

Recovery is a key to the stability of the banking and non-banking sector there should be no hesitation in stating that Indian banks have done a remarkable job in containment of Non-Performing Assets (NPA) considering the overall difficult environment. Recovery Management is also linked to the bank's interest margin's we must recognize that cost and recovery management supported by enabling legal framework hold the key to future health and competitiveness of the Indian banks. No doubt, improving recovery management in India is an area requiring expeditions and effective actions in Legal institutional and judicial processes.

Recovery Management for NBFC'S is not covered under the SARFAESI Act. Though RBI has strengthened NPA norms, it has not laid out clear guidelines either on recovery mechanism or basically the provisions which can entail an NBFC'S to take action against the defaulters. Most NBFC's are unable to recover their debt portion. A lot of cases surmounting to Crores of funds are being dragged to court every year by NBFC's. The panel in the RBI working group has recommended Act i.e. SARFEASI to be even extended to NBFC's as well. In case of alternative mechanism for recovery of debt NBFC's may have

grievance mechanism; NBFC's registered with RBI having an asset size of 500 Crore i.e. strategically important NBFC's with the notified NBFC's by RBI in this behalf and in case of Contracts or deals involving funding of more than 1 Crore. The SAFEASI Act was enabled to facilitate banks & financial institutions in order to realize their long-term assets, improve recovery by possession mechanism and thereafter selling & attaching them for reducing NPA burden.

2. Literature Review

Deepak Narang and V.S Kaveri (2015), attempted to study on "Credit Monitoring in Banks: Effective Strategies. They explored reason for initial sickness in case of loan default in earliest mainly to reduce effect on quality of loan asset. Followed by that they opined there is a need to strengthen credit monitoring taking into account the steep rise in the number of NPA accounts and they also pointed out there are numerous issues associated with credit monitoring. Finally the article found the shortage of staff at branches is another reason to meet small borrowers more frequently for cash recovery. Hence there is need of identifying non-performing asset at the right stage to implement the action project. Its also discover the several issues associated with credit monitoring and suggested to create awareness on importance of credit monitoring which can fill up the skill gaps and banks required to pay sufficient attention towards training and education in related issues. **Abhirup Ghosh (2015),** carries study on Credit recovery by NBFC'S with respect to factor services. The study shows that there are four categories of factor service available for credit recovery for NBFC's in India. The factor services as civil proceedings, criminal proceedings, arbitration proceedings and bankruptcy proceedings, these measures are mutually independent each other. The lenders can opt same time any two of either standard as measures. The author clearly explained advantages and disadvantages of each measures and right measures to NBFC's as credit recovery mechanism. **Srinivas Guparthi SS (2010)** made a study on **"Risk Assessment model for assessing NBGCs (Asset financing) customers"** with the aim to build risk assessment model for NBFC's based on both quality, quantity and market forces aspects of client to assess the risk associated with the risk class of assets and NBFC's customers. The questionnaire has been used to survey institutions and officers to develop model to identify the parameters secondary data was used. Model has developed on the basis of parameters, whereas this study identified the 28 parameters to measure the risk associated with customers and it is recommended that model has been validated and NBFC's can use. **Arunkumar B (2014)** made a study on **"Non-banking**

financial companies (NBFC's): A Review". The study was purely based on secondary data collected from the journals and websites with the aim of reviewing the NBFC's. The study resulted with the highlights that because of RBI regulations NBFC's are not extending more credit and it is suggested to reduce interest rates in the credit policy of the NBFC's which can help NBFC's in extending the loan facilities for the small enterprises. The review made in this study shows that research so far done on the NBFC's was not so progressive as many of the research papers shows only basics of the NBFC's.

Shiny V N and **Jubily Navaprabha (2015**) made **"An Analysis of loan services in NBFC's-with Special reference to Chola"**. The study was about the Cholamandalam Investment and Finance Company Limited and popularly known as the Chola, which involves in offering various services. The study seeks to analyse the commercial vehicle loan services provided by Chola and to examine the loan recovery problems and strategies adopted by Chola. The study is based on primary data was collected through questionnaire from the managers and clerks, and study resulted that the main problems were customer inability to repay and lack of sufficient security with the customers. NBFC's have more focused towards providing finance to the commercial vehicle segment but certain factors which influence NBFC's for commercial vehicle loan like duration of loan repayment, time taken to avail and time allowed for repayment are the major factors identified by this study.

S Shankarii and Dr. E Muthukumar (2016) made a study on **"Functions of Non-Banking Financial Companies".** For the purpose of the study secondary data was collected with the objective of analysing NBFC's functioning. It is clear that after large extension of banking operations in the financial system, the NBFC's plays predominant role in serving financial requirements for the development of Agriculture and Commerce. The study was able to suggest that NBFC's can be brought under the full provisions and control of the RBI and it is good that activities of the NBFC's will be regulated by the RBI. **Deepak Kumar and P Srinivasa Suresh (2017)** made a study on **"An overview of Non-Banking Financial companies in India"** with the aim is to give an overview of NBFC's in India and to examine the problems and prospects of NBFC's in India. The study leads to disclose provisions which are not applicable for NBFC's like tax. Tax benefit extension would provide adequate relief to NBFC's which is severely restricted to these institutions due to high funding of costs and tight profit margin. There is no eligibility for NBFC's in their access to scheme of refinance from NBARD, NHB, SIDBI.**K.M. Neelima and Shri Anand Kumar(2017),** made a study on NBFC's in India. the present study focused on the Non-Banking Financial

Institutions and its role in India, the highlight of this paper is the landscape of the NBFC's compare to other countries like US, UK, South Africa, Germany, Russia, Japan Brazil and France with respect to Investment, Asset quality and Growth rate of NBFC's in world wide. In case of India has total asset of 1.3 EMDE's, 14 EMDE's of total financial compare to selected countries and 12 percent of growth rate in world wide. The NBFC's in India growing like mushroom although its regulatory frame yet to align in India. Out of this present study analysis on recent financial performance of NBFC's suggests that they is need of important source of credit to micro and small enterprises and infrastructure to be widen as well as collaboration between legal framework and financial inclusion has step ahead for financial stability. **AkankshaGoel (2017) ,** In her article **"Growth Prospects of NBFC's in India"** reviewed the strength and weakness of NBFC's compare to banking sectors in India, adding the authors identified by their research article by setting study hypothesis as how NBFC's are competing to fill the gap between rural and urban area financial inclusion in case of failure in banking operation. In the present article identified NBFC's are having threat from the RBI rigid rules and regulations and also competing with banking sectors in small loans are quite difficult hence, the authors suggested there is need of amendments certain rules in SARFAESI Act and building image among the customers can also rise funds in other loan products helps to compete in the market. **Dr Mahendra kumar Pattanakar (2018)** made a study on **"Performance of Non-Banking Housing Financial Companies Terms of Profit and Growth in India".** With reference to the study primary and secondary sources of data was used with the intention of analysing performance of NBFC's in terms of profit and growth. After analysis of operating profit margin, Net profit margin, and growth rate of earnings of selected NBFC's, it is clear that expenditure growth rate was higher than the income growth rate and that expenditure growth rate was mainly driven by the growth in interest payments. **Afroze Nazreen and Sanjeevdhawan(2018)** made a study on **"A Review of Role and Challenges of Non-Banking Financial Companies in Economic Development of India:** to understand the role and challenges faced by NBFC's in economic development of India. The NBFC's are providing diverse financial services, which becomes very important component of financial structure of the country. The study has focused on the entire non- banking financial companies from its inception to its developments, planning and challenges of NBFC's in India. The outcome of the study discloses that NBFC's have given commendable contributions for the financial system of the country. And they have been successful in some extent in filling the gap in offering credit to the retail customers in unbanked areas. **Suneel Kumar and Dr A P Hosamani**

(2019), made a study on **"Financial Performance of Non-Banking Financial Companies in India".** Non-banking financial companies played the role of organized banking sector by bridging the credit gaps for increasing financial requirements of the unorganized sectors and the small local producers. The study is mainly based on secondary source of information and descriptive in nature with the objective of studying financial performance of NBFC's. The outcome of the study discloses the NBFC's have undergone a significant transformation and became important component of the financial system and to ensure the financial stability in long run RBI strive to bring the necessary regulatory changes in the NBFC's.

3. Research Gap

Though the literature reviewed is not comprehensive the review of some of the qualified literature to meet the study intent has enabled the researchers to identify the research gap. There are number of policy studies and papers highlighting the role of NBFC's in financial system in India, Credit policies and procedures of NBFC's in the world wide, recovery management mechanisms in banking and non-banking financial institutions in India and regulatory role in recovery management in NBFC's. The present study attempts to make an analysis of recovery management of non- banking financial institutions, its role in credit policies and its implications and ensuring their services to customers and customer's perception on credit policies of companies etc. This study would help in financial and non-financial activities and efficiency in profit and value creation process. Hence the study entitled "Recovery Management Policies and Practices in Non-Banking Financial Companies " is pursued.

4. Statement of the Research Problem

NBFC's playing critical role in mobilizing financial products to needy customers universally. In case of loan products NBFC's are competing with banking institutions in a critical level and their lending policies are liberal compare to banks, added mainly to attract customers sell their products as most of their customers may not be suitable for barrowing funds from the banks hence, NBFC's strive difficult to bring customers to their door. Therefore NBFC's fallow various marketing strategies and offers add on service as benefits to their customers. Most of the times it may leads to operate in thinner margin and it hamper on their profitability.

NBFC's are facing stiff competition from the bank both public and new private sector banks. Public sector banks enjoy low deposit cost due to vast distribution network and its have occupied a majority share in housing finance companies and private banks are actively engaged in retail assets financing. This increased competition is certainly going to affect the business risk profile of NBFC's. Hence, to manage profitability there is need to manage quality assets and it possible only companies' debt recovery mechanism is effective. However, in a competitive era to have efficient credit recovery today it is a challenge to the NBFC's.

The question is the deviation in credit policies of NBFC's and its recovery methods, such as credit policies of NBFC's directed by RBI as well as under their Companies Act, Budgeted vehicle loan's and sectioned loan's, difference between sanctioned loans and recovered credit and very important is customer's perception on recovery of credit from selected institutions followed by their credit policies. Thus, there is an imperative action on the part of the Non-banking financial companies, who supposed to fallow and formulate proficient credit policies to sustain quality and profitable recovery management with respect to customer perspective. Therefore, the research problem is "**Recovery Management Policies and Practices in Non-Banking Financial Companies (NBFC's)-With Special reference to selected NBFC's in Karnataka**". Hence, it is essential to have an efficient and effective recovery management of credit policies to establish a robust Non-banking financial companies in India.

5. Objectives of the Study

In order to carry out the research and fill the research gap in this field, formulated primary objective of the study after extensive review of previous research work. The primary purpose of this research is to study recovery management policies and practices of the selected NBFC's in Karnataka. In addition to the primary objectives, following additional specific objectives are set;

1. To understand the role of NBFC's in the Indian Financial System.
2. To give an overview of selected NBFC's in the Karnataka State.
3. To examine the lending and recovery policies and practices of selected NBFC's.
4. To assess the factors influencing on recovery management of selected NBFC's

5. To identify problems and challenges of recovery management in selected NBFC's in the Karnataka State.
6. To Offer pragmatic suggestions to address the recovery problems of NBFC's.

6. Research Hypothesis

The following hypothesis have been formulated and tested to prove the above stated objectives.

H_1: There is a significant difference between Income of the borrowers and Challenges faced while repaying Loan

H_2: There is a significant difference between occupation of the borrowers and issues in repayment of loan.

H_3: There is significant difference between Monthly Income of the respondents and Number of Instalments taken for Repayment of Loan

H_4: There is significant difference between the satisfactions of the customers of TVS Credit Services Ltd and Shriram City Union Finance Limited.

H_5: There is significant impact of Socio-Economical aspects of the borrowers and level of satisfaction towards performance of NBFC's.

H_6: There is a significant difference identified in the perceived performance of TVS Credit Services Ltd and Shriram City Union Finance Limited.

H_7: There is a significant association between monitoring and fallow- up practices of TVS Credit Services Ltd and Shriram City Union Finance Limited.

7. Research Methodology

7.1 Sources of data

The present study is descriptive and analytical in nature. The study is based on both quantitative and qualitative data. For this study primary and secondary data has been considered. The primary data were collected through observation, personal interview and using self-instructed questionnaire. Two sets of questionnaire were developed. One set of questionnaire for managers working in the branches of NBFC's and another set of questionnaire for borrowers of NBFC's in Hubli region.

The secondary data has been collected from various sources like publications of RBI, annual reports of selected NBFC's, company research reports, publications, books, journals, magazines and websites.

7.2: Sampling Technique

Simple random sampling method has been adopted to collect quantitative data from two different NBFC's namely, TVS Credit Services Limited and Shriram City Union Finance Limited in Hubli region from mangers and customers of selected companies. This method was used in order to ensure that the desired number and appropriate respondents identified and included in the survey.

7.3 Population and Sample size of the Managers

The sample size of the managers constitutes 60 mangers from different territory in Hubli region. 30 managers each from two NBFC's have been randomly selected. Which constituting 50 per cent of the total manager's form the two selected NBFC'S namely TVS credit services limited and Shriram City Union Finance Limited.

Table No: 7.1: shows composition of total population and sample size of Managers

Territory	Total Number of Managers (TVS Credit Services Limited)	Sample Size (50% of the total population	Total Number of Managers (Shriram City Union Finance Limited.)	Sample Size (50% of the total population
Bagalkot	10	5	07	5
Belgaum	09	4	09	4
Bijapur	08	4	08	4
Dharwad	08	4	08	4
Gulbarga	09	4	09	4
Davanagere	09	5	09	5
Chitradurga	10	4	10	4
Total	**60**	**30**	**60**	**30**

Source: Field survey

7.4 Sample size of the borrowers

The researcher used proportionate random sampling method to choose borrowers from 7 territories in the Hubli region. There are 1832 total number of borrowers in the TVS credit services limited and 1879 borrowers in the Shriram City Union Finance Limited. 10 per cent of the population has been selected randomly as a sample which comes to around 380 i.e 190 from each NBFC's.

Table No. 7.2: shows composition of total population and sample size of borrowers

Territory	Total Number of borrowers (TVS Credit Services Limited)	Sample Size (10% of the total population	Total Number of borrowers (Shriram City Union Finance Limited)	Sample Size (10% of the total population
Bagalkot	356	35	286	28
Belgaum	228	22	226	23
Bijapur	200	20	230	23
Dharwad	300	30	252	26
Gulbarga	250	25	249	23
Davanagere	330	33	330	33
Chitradurga	250	25	340	34
Total	**1832**	**190**	**1879**	**190**

Source: Field survey

7.5: Statistical tools used for Data Analysis

For the data analysis MS excel and SPSS 22.0 was employed. Descriptive and inferential statistics have been used, the descriptive statistics such as percentages, Weighted averages, are used to describe the basic findings of the research and inferential statistics were also employed to test the hypothesis like, One-way ANOVA test ,Chi-square and dependency & independency test have been used to test the mean difference between sample groups of the study.

8. Scope of the Study

8.1 Study Scope:

The present study is confined to recovery management policies and practices of selected Non-banking financial institutions in Karnataka state and confined to two NBFC's in Karnataka, namely TVS Credit Services Limited and Shriram City Union Finance Limited in Hubli region, Karnataka state. The study samples is limited to Hubli region branches in both managerial and customers level. The researcher tries to select NBFC's in selected region by considering the factors like, awareness of recovery policies and procedures in both the customers and managers level, collection practices of NBFC's, factors for loan occurrence and loan repayment, measures for repayment of loan, time taken repayment of loan, problems of recovery management and challenges of credit recovery management in selected NBFC'S.

8.2: Time frame of the study:

The primary data for the study were collected during the period of 2018-19. The secondary data for the study is confined to 2010 to 2019.

9. Limitation of the Study:

The present study is confined to the selected Non-banking financial institutions in Hubli region only, further for the purpose of comparison TVS Credit Services Limited and Shriram City Union Finance Limited with respect Hubli city have taken in the state of Karnataka. Therefore, the findings cannot be generalized to other geographical areas.

However, the systematic sampling is used for the study. However, certain respondents are not co-operated due to the number of factors like socio-economic background, and also they are not in a position to understand the policies and practices of NBFC's. In addition, there are few other limitations are also mentioned as below;

a. Lack of awareness regarding the Policies and procedure of recovery management in NBFC's
b. Unwillingness in expressing their frank opinions about the confidentiality in policies.
c. Due to the length of the questionnaire and other personal reasons
d. Due to their busy schedule of work at the organization and also personal work.

10. Chapter Outline

The Present study is divided into six chapters as given below:

CHAPTER-1-INTRODUCTION AND RESEARCH DESIGN: It includes introduction to the topic, theoretical framework of the study, statement of the research problem, research gap, objectives, hypothesis, research methodology, scope and limitation of the study.

CHAPTER-II-REVIEW OF LITERATURE: This chapter deals with review of earlier research on recovery management of NBFC's, Commercial banks and other financial institutions.

CHAPTER-III: RECOVERY MANAGEMENT POLICIES OF THE SELECTED NON-BANKING FINANCIAL INSTITUTIONS (NBFC's):- It includes profile and overview of selected Non-Banking Financial Institutions of the present study and profile of study region. Fallowed by - A Conceptual Analysis' and it includes the importance of recovery management and recovery policies of selected NBFC's and RBI guidelines.

Chapter-IV-RECOVERY MANAGEMENT PRACTICES IN THE SELECTED NBFC's - FROM LENDERS AND BORROWERS PERSPECTIVE: It includes the primary data analysis which is collected regarding the perception of mangers and borrowers on recovery management policies and practices of selected NBFC's of the study area.

Chapter-V-SUMMARY OF MAJOR FINDINGS, SUGGESTIONS AND CONCLUSION: It includes the summary of major findings from both primary and secondary data and observations, suggestions are given separately for managers, customers and for policy makers.

11. MAJOR FINDINGS OF THE STUDY

11.1 Findings from Managerial Perspective:

By analysing the data collected from the managers of two NBFC's in the study area in the fallowing issues are identified,

1. In TVS Credit Services Limited almost all respondents are male whereas in Shriram City Union Finance Limited majority of the respondents (27) are male and rest are female.

2. It is found that, 25 managers from each company belong to the age group of the 41-50.

3. Almost all managers of both the companies are graduates.

4. Both the companies are paying more than Rs,15000 and below Rs,25000 to the employees working as managers in the company, very fewer employees are getting more than Rs,25000 based on their experience.

5. In TVS Credit Services Limited 25 managers are associated with the company for more than 6 years and less than 10 years. In Shriram City Union Finance Limited majority (18) managers are associated with the company for more than 6 and less than 10 years. This shows that the turnover rate of managerial staffs is very less in case of NBFC's in the study area.

6. In TVS Credit Services Limited most of the managers perceived that, process of loan proposal is simple, sometimes moderate amount of time has been taken to process the loan proposal. Very few of them perceived that critical evaluation of documents is done for processing the loan. This is because to go for better credit recovery by the customers. In Shriram City Union Finance Limited also the loan processing is very simple and moderate; here also critical evaluation is done for documents required.

7. In both the NBFC's the time taken to release the loan is 24 hours, this is because of technological up gradation and also to provide better customer services.

8. In TVS Credit Services Limited and Shriram City Union finance Limited, availability of loan is very easy and in very less procedural formalities. But the managers opine that the branches of the bank are distinctly located.

9. In TVS Credit services Limited, majority (96%) managers perceived that income, credit worthiness and bank transactions are the major factors considered while providing loan, and CIBIL score of the customer is also one of the important factor which considered while providing loan, because the CIBIL Score is very much helpful for the NBFC's to understand the credit history of the customers. In Shriram City Union Finance Limited also Income, credit worthiness, bank transactions and CIBIL scores are importantly considered while sanctioning loan.

10. In TVS Credit Services the repayment of loan is backed by the income of the customers, in Shriram City Union Finance Limited also the same is identified. Even though critical evaluation of documents required is done by both the companies, they are facing problems of repayment.

11. In TVS Credit Services Limited reminders sent to the customer for loan recovery, sending recovery staff if necessary and vehicle seizing is done in very fever cases. At Shriram Union City Finance Limited reminders sent to the customer, sending recovery staffs to customers and factors appointed for collection are also the major measures for recovery of the loan.

11.2: Findings from Customers perspective

By analysing the data collected from the customers of NBFC's in the study area the findings are summarised as follows.

1. In TVS Credit Services Limited majority (58.94%) of the customers are from urban area, 41.05% of the customers are from rural area. In Shriram City Union Finance Limited Finance Limited majority (98.94%) of the respondents are from urban area and very few (1.05%) are from semi-urban area and no one is from rural area.

2. In TVS Credit Services Limited majority (52.63%) of the customers are in the age group of 31-40 and in Shriram City Union Finance Limited majority (65.26%), of the customers are in the age group of 31-40 this is because the customers of this age group will buy the vehicles for their own use and dependents too.

3. In TVS Credit Services Limited, majority (44.73%) customers are degree holders, 25.26% of customers are SSLC, 23.68% of customers are PUC and 6.31% of customers are post-graduates. In Shriram City Union Finance Limited, majority (56.31%) customers are degree holders, 32.10% of customers are PUC, 6.84% of respondents are SSLC and 4.73% of customers are Post- Graduate. This may be for the reason of customer selection for the study.

4. Maximum (74.73%) customers from TVS Credit Services Limited are Hindu's, 18.94% of customers are Muslims and 6.31% of customers are Christian and in Shriram City Union Finance Limited majority (62.10%) customers are the Hindu's, 34.73% of customers are Muslims and 3.15% of customers are Christians.

5. In TVS Credit Services Limited majority (82.63%) married customers, 14.73% are unmarried customers and 2.63% are divorce. Moreover, in Shriram City Union Finance Limited Finance Limited majority (79.47%) are married, 16.31% are unmarried and 3.15% are divorce.

6. In TVS Credit Services Limited majority (65.26%) of the customers are living in nuclear family, and the remaining (34.73%) customers belongs to joint family. In addition, Shriram City Union Finance Limited holds majority (64.21%) of customers who belongs to the nuclear family and the remaining 35.78% of customers belongs to the joint family. This is because of changing lifestyle of people.

7. In TVS Credit Services Limited majority, (35.78%) customers are daily wage labour, and private employees, 19.47% customers are self-employed and only 8.94% respondents are government employees. In Shriram City Union Finance Limited majority (78.94%), customers are private employees, 15.78% customers are self-employed, 4.21% customers are government employee and remaining 1.05% customers are daily wage labours. It shows that when compare to government employees' private employees, self-employed and others have taken loans from NBFC's because the government employees will get loans from the banks where they have salary account.

8. In TVS Credit Services Limited majority (55.26%) of customers belongs to the income group from Rs,10000-20000, 25.78% customers belongs to the income group of 5000-10000, and 13.68% of customers belongs to below 5000 and very less 5.26% of customers belongs to the income group of 20000-30000. In Shriram City Union Finance Limited, majority (87.36%) of customers belong to income group of 10000-20000, 12.63% of customers belong to the income group of 5000-10000 and no customer's income level is below 5000 and 20000-30000. This may be because both the companies while providing loan considers the income group.

9. The expenditure of maximum (54.73%) customer's is in between 5000-10000, 40.00% customer's monthly expenditure is below 5000 and very less (5.26%) of customers spend 10000-15000 as monthly expenditure in TVS Credit Services Limited. In Shriram City Union Finance Limited, maximum (64.21%) customer's monthly expenditure is 5000-10000 and 31.57% customers expenditure is 10000-15000 and very less (4.21%) of customers spend below 5000.

10. It is perceived by the customers that in TVS Credit Services Limited majority (31.57%) of the customers come to know about NBFC's by work groups, 5.78% from Relatives and very less (5.26%) through Friends. In Shriram City Union Finance Limited majority (51.57%) of the customers come to know about the NBFC's through work groups, 27.89% of customers through Agents. This shows that majority of the customers in both the companies come to know about the NBFC's by the work group, here both the companies are very particular in advertising their companies.

11. In TVS Credit Services Limited, majority (74.21%) customers perceived that company takes 12-24 hours to sanction loan 23.15% respondents say that 12 hours. In Shriram City Union Finance Limited majority (92.10%) of the customers reported that the company takes 12-24 Hours to sanction the loan and the remaining 7.89% customers says that the company takes 12 hours to sanction the loan. This shows that loan processing is very fast in both the NBFC's.

12. In TVS Credit Services Limited, majority (52.63%) customers borrowed 25000-50000, (38.94%) customers barrowed 25000, and very less (8.42%) customers borrowed 50000-100000. In Shriram City Union Finance Limited, majority (87.36%) customers borrowed below 25000, (10.52%) customers 25000-50000 and very less (2.10%) customers borrowed 50000-100000. This is because type of the vehicle they buy and policy issues of the NBFC's.

13. In TVS Credit Services Limited majority (83.68%) customers have taken 24 instalments to repay the taken loan, (11.05%) customers have taken 18-24 instalments, very least (5.26%) customers have taken 12-18 instalments. In Shriram City Union Finance Limited, majority (67.89%) customers have taken more than 24 instalments for repayment of loan, (32.10%) customers have taken 18-24 instalments. This is based on the income of the customers and the down payment which they make while purchase of vehicle.

14. In both the NBFC's, the amount of monthly instalment is depended on the down payment they make while purchasing vehicle. In addition, it is depended on the type of the vehicle and cost too.

15. In TVS Credit Services Limited majority (65.78%) customers perceived that their income statement is essential to avail loan, (22.10%) says cash receipts are also

required with income statement, (9.47%) says that registration book of vehicle is required for some loan type, In Shriram City Union Finance Limited, barrowers perceived that income statement, Cash Receipts both are important, very few of them says that insurance Policy duly hypothecated to the NBFC'S.

16. IN TVS Credit Services Limited CIBIL Scores, income statement and place of residing are the important factors considered while providing loan. In Shriram City Union Finance Limited, CIBIL score and income statements are important factors considered while providing loan. This may be because the CIBIL Scores of the customers gives clarity about the capacity transaction of the customers with their bank and also information about amount barrowed by other financial institutions.

17. The study found that majority (97.365) of the customers cleared the instalments, and very less (2.63%) percentage of the customers yet to clear the instalments in TVS Credit Services Limited. In Shriram City Union Finance Limited, (100%) respondents cleared the loan instalments and no customers have instalments due. This shows that compare to TVS Credit Services Limited, Shriram City Union Finance Limited Finance Limited customers are good in clearance of instalments by timely payment than TVS Credit Services Limited.

18. It is perceived by the customers of both the NBFC's that they have not taken loan again, this is because due to the high interest rates charged the customers switch to other financial institutions where they get loans for less percentage of interest.

19. Majority of the customers in both the NBFC's have taken 24 months to recover loan, this is because the NBFC's will be having their own policies in offering the instalments and this will be depended on the initial payment the customers pay.

20. In both the NBFC's, the customers perceived that the status of their loan is a standard asset. It shows that the credits provided by both the NBFC's are recoverable and both the companies have very good recovery policies.

21. Majority customers in both the NBFC's have borrowed loan from other available sources for different purposes. This happened because now a days availability of financial assistance is very easy and other than NBFC's, Micro-finance institutions are also providing free flow of finance to the members in minimum percentage of interest.

22. In TVS Credit Services Limited majority of the customers opines that family commitment and lengthy process, high interest rates and high penalty are the major problem they face during the repayment of loan taken. In Shriram City Union Finance Limited, lengthy process, high interest rate are challenges faced by the customers while repayment of loan.

23. The issues that the TVS Credit Services Limited customers are facing in repayment of loan or miss utilization of loan, vehicle theft, less or no returns on the investment and vehicle met with an accident. In Shriram City Union Finance Limited the issues in repayment by the customers is miss utilization of loan.

24. In TVS Credit Services Limited monitoring and follow ups are done through Sending reminder, personal visit by bank staffs, counselling. In Shriram City Union Finance Limited, monitoring and follow up of the credit repayment is done through sending reminders and ceasing vehicles, this is based on the type of the customers and amount of loan due by the customers.

25. In TVS Credit Services Limited and Shriram City Union Finance Limited Finance, reminders of loan due is sent to the customers only once in a month.

26. In both the NBFC's the representatives visit the customers in case of loan default.

27. In TVS many facilities like compromise settlement, onetime settlement and DRT are provided to have better recovery management. In Shriram City Union Finance Limited is faster settlement of credit rather extending it for the further action for reducing liquidity crisis. However the present company is also provided facilities for few customers in extreme cases to securitization of their loan under securitization Act and Asset reconstruction of their default loan over their asset, which is evident by weighted average scores as 0.49 and 0.21 respectively.

28. In TVS Credit Services Limited majority respondents says that recovery camps are conducted half yearly. In Shriram City Union Finance Limited also recovery camps are conducted half yearly this is also evident from the 97% of the opinion of the respondents.

29. it is identified that in TVS Credit Services Limited customers are satisfied with the Rescheduling of loans and benefits by rescheduling which is proved by majority of the responses. It shows customers are satisfied with TVS credit Service Limited

rescheduling loans as per their requirement. The customers also satisfied with rescheduling and behaviour of rescheduling.

30. In Shriram City Union Finance Limited the customers are satisfied with the rescheduling of loans. And they are not satisfied with the frequency of rescheduling, benefits by rescheduling, behaviour of recovery person and recovery system of the company, It indicates that Shriram City Union Finance Limited customers are not satisfied with overall credit activities.

31. The study identified that opinion of the customers regarding performance of the TVS Credit Services Limited is positive towards the Service, Brand Image, Duration of Loan amount sanctioned, Recovery System, Technology, Duration of Loan amount sanctioned, Recovery Agents and Processing Time of Loan. They are moderate towards Time of Loan, Flexibility in providing/Repayment of Loan and Sanctioning Procedure. Similarly the customers are not satisfied with the Rate of Interest, Repayment Period and Processing Charges.

32. The customers of Shriram City Union Finance Limited majority of the customers are satisfied with the Brand Image, Loan amount Sanctioned, Technology, Duration of Loan amount sanctioned, Processing Time of Loan, Recovery System, and Flexibility in providing/Repayment of Loan. And the customers are moderately satisfied for few services like Recovery Agents behaviour, Processing Charges, Sanctioning Procedure, and the customers are not satisfied with the Repayment Period and Rate of Interest.

11.3 Testing of Hypothesis

There are seven Hypothesis formulated and tested by using One-way ANOVA, F-test and Chi-square dependency and independency tests. Test results are shown in the below table fallowed by detailed analysis.

Hypothesis-1

H_0: There is no significant difference between Income of the borrowers and Challenges faced while repaying Loan

H_1: There is a significant difference between Income of the borrowers and Challenges faced while repaying Loan

One Way ANOVA for difference between Income levels and Challenges faced by the customers while repayment of loan

ANOVA						
		Sum of Squares	**df**	**Mean Square**	**F**	**Sig.**
Process is lengthy	Between Groups	6.224	3	2.075	9.571	.000
	Within Groups	81.512	376	.217		
	Total	87.737	379			
Financial Crisis	Between Groups	7.125	3	2.375	7.854	.000
	Within Groups	113.706	376	.302		
	Total	120.832	379			
Virtual banking system	Between Groups	24.300	3	8.100	21.313	.000
	Within Groups	142.900	376	.380		
	Total	167.200	379			
Family Commitments	Between Groups	10.588	3	3.529	3.313	.020
	Within Groups	400.559	376	1.065		
	Total	411.147	379			
High Interest rate	Between Groups	1.891	3	.630	.535	.659
	Within Groups	443.256	376	1.179		
	Total	445.147	379			
High Penalty Rates	Between Groups	22.654	3	7.551	6.641	.000
	Within Groups	427.567	376	1.137		
	Total	450.221	379			
High Instalment amount	Between Groups	22.007	3	7.336	11.968	.000
	Within Groups	230.464	376	.613		
	Total	252.471	379			
Communication gap between the NBFC's	Between Groups	23.109	3	7.703	15.423	.000
	Within Groups	187.796	376	.499		
	Total	210.905	379			
Others	Between Groups	16.062	3	5.354	9.266	.000
	Within Groups	217.244	376	.578		
	Total	233.305	379			

Source: SPSS Output

Analysis and Interpretation: Above table portrays the calculated ANOVA value to prove the difference between different income level and the challenges faced by the customers in repayment of loan. Here in all the cases the $p<0.05$ hence it is proved that the null hypothesis is rejected and alternative hypothesis is accepted, but in the case of high interest rate the $p>0.05$ hence in that case the null hypothesis is accepted. Hence it is proved that there is a difference in the different income groups and the challenges they faced while repayment.

Because the customers who are in the middle and high income and salary income they face less difficulty in repayment of loan, low income group people and fluctuating income group are facing problems in repayment.

Hypothesis-2

H_0: There is no significant difference between occupation of the borrowers and issues in repayment of loan

H_1: There is a significant difference between occupation of the borrowers and issues in repayment of loan

One Way ANOVA for difference between Occupation and Challenges faced by the customers while repayment of loan

ANOVA						
		Sum of Squares	**df**	**Mean Square**	**F**	**Sig.**
Process is lengthy	Between Groups	.901	3	.300	1.301	.274
	Within Groups	86.835	376	.231		
	Total	87.737	379			
Financial Crisis	Between Groups	12.252	3	4.084	14.142	.000
	Within Groups	108.580	376	.289		
	Total	120.832	379			
Virtual banking system	Between Groups	21.019	3	7.006	18.021	.000
	Within Groups	146.181	376	.389		
	Total	167.200	379			
Family Commitments	Between Groups	38.446	3	12.815	12.929	.000
	Within Groups	372.702	376	.991		
	Total	411.147	379			
High Interest rate	Between Groups	18.838	3	6.279	5.538	.001
	Within Groups	426.309	376	1.134		
	Total	445.147	379			
High Penalty Rates	Between Groups	4.256	3	1.419	1.196	.311
	Within Groups	445.965	376	1.186		
	Total	450.221	379			

High Instalment amount	Between Groups	10.190	3	3.397	5.272	.001
	Within Groups	242.281	376	.644		
	Total	252.471	379			
Communication gap between the NBFC's	Between Groups	9.027	3	3.009	5.604	.001
	Within Groups	201.878	376	.537		
	Total	210.905	379			
Others	Between Groups	8.060	3	2.687	4.485	.004
	Within Groups	225.246	376	.599		
	Total	233.305	379			

Source: SPSS Output

Analysis and Interpretation: Above table fosters the ANOVA calculation to identify the difference between occupation and challenges faced by the customers while repayment of loan. In all the cases the $p<0.05$ hence it is proved that the null hypothesis is rejected and alternative hypothesis is accepted. Therefore, it is concluded that there is a difference in the occupation and challenges faced by the customers in repayment of loan. This is because the income is based on the occupation, government employees can get salary every month will make them to repay the loan taken in time. Private employees and businessperson can face some problem in repayment.

Hypothesis-3

H_0: There is no significant difference between Monthly Income of the respondents and Number of Instalments taken for Repayment of Loan

H_1: There is a significant difference between Monthly Income of the respondents and Number of Instalments taken for Repayment of Loan

One Way ANOVA for difference between Monthly Income and Number of Instalments Taken

ANOVA					
Number of Instalments taken					
	Sum of Squares	**df**	**Mean Square**	**F**	**Sig.**
Between Groups	4.099	3	1.366	5.675	.001
Within Groups	90.522	376	.241		

Source: SPSS Output

Analysis and Interpretation: Table above shows the calculation of ANOVA value to exhibit the difference between Monthly income and Number of instalments taken. Here the $p<0.05$ hence it is proved that the null hypothesis is rejected and alternative hypothesis is accepted. Therefore, it is concluded that there is a difference exists between the different income groups and the instalments taken to repay the loan by them. This is because to make the repayments easier the customers can take the number of instalments based on their savings and ability to repay.

Hypothesis-4

H_0: There is no significant difference between the satisfactions of the customers on the performance of TVS Credit Services Ltd and Shriram City Union Finance Limited.

H_1: There is a significant difference between the satisfactions of the customers on the performance of TVS Credit Services Ltd and Shriram City Union Finance Limited.

One Way ANOVA for difference between the satisfactions of the customers on the performance of TVS Credit Services Ltd and Shriram City Union Finance Limited.

ANOVA						
		Sum of Squares	**df**	**Mean Square**	**F**	**Sig.**
Service	Between Groups	9.474	1	9.474	23.850	.000
	Within Groups	150.147	378	.397		
	Total	159.621	379			
Brand Image	Between Groups	.024	1	.024	.190	.663
	Within Groups	47.058	378	.124		
	Total	47.082	379			
Technology	Between Groups	.445	1	.445	3.517	.062
	Within Groups	47.795	378	.126		
	Total	48.239	379			
Rate of Interest	Between Groups	16.842	1	16.842	31.721	.000
	Within Groups	200.695	378	.531		
	Total	217.537	379			
Repayment Period	Between Groups	68.213	1	68.213	50.462	.000
	Within Groups	510.974	378	1.352		
	Total	579.187	379			
Recovery System	Between Groups	12.168	1	12.168	15.447	.000
	Within Groups	297.768	378	.788		
	Total	309.937	379			
Recovery Agents	Between Groups	.379	1	.379	.579	.447

	Within Groups	247.558	378	.655		
	Total	247.937	379			
Processing Charges	Between Groups	21.316	1	21.316	22.288	.000
	Within Groups	361.516	378	.956		
	Total	382.832	379			
Flexibility in Providing/Repayment of Loan	Between Groups	7.116	1	7.116	7.552	.006
	Within Groups	356.189	378	.942		
	Total	363.305	379			
Sanctioning Procedure	Between Groups	9.474	1	9.474	11.267	.001
	Within Groups	317.832	378	.841		
	Total	327.305	379			
Processing Time of Loan	Between Groups	.379	1	.379	.082	.775
	Within Groups	1754.421	378	4.641		
	Total	1754.800	379			
Duration of Loan amount sanctioned	Between Groups	8.853	1	8.853	3.972	.047
	Within Groups	842.474	378	2.229		
	Total	851.326	379			
Loan amount Sanctioned	Between Groups	1.161	1	1.161	1.206	.273
	Within Groups	363.626	378	.962		
	Total	364.787	379			

Source: SPSS Output

Analysis and Interpretation: Above table denotes the ANOVA values for the difference between satisfactions of customers with the performance of NBFC's in the study area. For the reason some of the issues regarding the performance of the NBFC's are asked to the customers, based on the responses given by the customers ANOVA values are calculated. Here in all the cases, except Brand Image, Technology, Recovery Agents, Processing Time of Loan, in all the cases the $p<0.05$ hence the null hypothesis is rejected and alternative hypothesis is accepted. Therefore, it is proved that there is a significant difference exists between satisfactions of the customers regarding the performance of the two NBFC's in the study area. However, in case of recovery agents, customers of both the NBFC's are not satisfied. However, the customers are dissatisfied about the performance of NBFC's in the study area, which is discussed in the above descriptive analysis.

Hypothesis-5

H_0: There is no significant impact of Socio-Economic Profile of the customers and level of satisfaction on performance of NBFC's.

H_1: There is a significant impact of Socio-Economic Profile of the customers and level of satisfaction on performance of NBFC's

Chi-Square value for Socio-Economic Profile of the Customers and Level of Satisfaction towards Services provided by the NBFC's

Chi-Square Tests			
	Value	**df**	**Asymp. Sig. (2-sided)**
Pearson Chi-Square	421.478	110	.000
Likelihood Ratio	395.810	110	.000
Linear-by-Linear Association	16.555	1	.000
N of Valid Cases	380		

Source: SPSS Output

Analysis and Interpretation: Table above shows the calculation of chi-square values to exhibit the impact of socio-economic profile of the respondent customers towards the level of satisfaction towards the services provided by the NBFC's**.** Here the $p<0.05$, hence the null hypothesis is rejected and alternative hypothesis is accepted, therefore it is proved that the socio-economic profile of the customers impacts on the level of satisfaction of the customers to wards service provided by the NBFC's, this is because the gender, age group, qualification, profession, income level etc are very important factors that affects the perception of the customers.

Hypothesis-6

H_0: There is no significant Difference identified in the Performance of TVS Credit Services Limited and Shriram City Union Finance Limited.

H_1: There is a significant Difference identified in the Performance of TVS Credit Services Limited and Shriram City Union Finance Limited.

One Way ANNOVA for difference identified in the Performance of TVS Credit Services Limited and Shriram City Union Finance Limited.

ANOVA					
Performance of NBFC's					
	Sum of Squares	**df**	**Mean Square**	**F**	**Sig.**
Between Groups	110.592	1	110.592	6.544	.011
Within Groups	6387.963	378	16.899		
Total	6498.555	379			

Source: SPSS Output

Analysis and Interpretation: Above table depicts the differences identified in the performance of NBFC's in providing credit services to the customers by proving the above hypothesis. Moreover the hypothesis proved by using One Way ANNOVA F-test. The calculation proves that the null hypothesis is accepted because $p<0.05$. Hence it is proved that the null hypothesis is rejected and alternative hypothesis is accepted. Therefore it is proved that there There is a significant Difference identified in the Performance of TVS Credit Services Limited and Shriram City Union Finance Limited. Because both the companies have different practices and also customer opinion is also different.

Hypothesis-7

H_0: There is no significant relationship between monitoring and fallow ups by the NBFC's

H_1: There is a significant relationship between monitoring and fallow ups by the NBFC's

Chi-Square value for Monitoring and Fallow ups by the NBFC's

Test Statistics								
	Sending reminders	**Visiting unit by the bank staff**	**Counselling**	**Providing incentives for early repayment**	**charging high penalties**	**Collation through Factors**	**Ceasing the Vehicle**	**Any Others**
Chi-Square	244.763	120.905	245.368	142.232	152.611	143.811	148.316	178.132
Df	4	3	4	3	3	3	4	4
Asymp. Sig.	.000	.000	.000	.000	.000	.000	.000	.000

Source: SPSS Output

Analysis and Interpretation: Above table depicts that chi-square dependency test for the monitoring and fallow ups by the NBFC's in recovery management. For all the variables calculated chi-square value is more than the table chi-square critical value at 0.05% significant level, and $p<0.05$ hence it is proved that the null hypothesis is rejected and alternative hypothesis is accepted. Therefore it is proved that there is a significant relationship between monitoring and fallow ups by the NBFC's. it is clear that the NBFC's have undertaken various strategies for recovery of the loan given.

12. Major Suggestions of the study

12.1: Suggestions to NBFC'S s and its Branch Managers

1. NBFC's need to train their employees for various technical aspects, which leads to reduce the loan sanctioning time and also maintain the required data effectively.
2. NBFC's has to reshape strategies that can be customer centric and can be provided through retail banking, contact centres, branches, websites to a common environment, run advertisements on mobile, social media and so on.
3. NBFC's can have strategies enabling customers to know about their account, interest amount due, and instalment due etc. and manage the same.
4. NBFC's has to provide professional training for credit appraisal while providing loans, which will be helpful for better recovery of loans provided.
5. NBFC's have to motivate the employees by providing possible facilities and incentives in recovery of loans provided.
6. NBFC's has to strengthen help desk facilities to help the customers for better recovery of loan and It is suggested to the institutions that they have to create awareness about government policies and procedures regarding government support to start new venture and tax implications and relaxations.
7. NBFC's need to concentrate on the service where the customers are not satisfied loan namely processing time, Sanctioning Procedure, Repayment Period, Rate of Interest etc, which will help them to attract the customers and also better credit recovery management.
8. It is suggested to the Shriram City Union Finance Limited that adopt factoring services system for better credit recovery management and also to keep retain quality assets in their intuitions.

12.2: Suggestions to Customers

1. Customers of NBFC's need to provide authenticated and required documents as early as possible that makes the loan processing faster and also to support to have sincere credit appraisal process
2. Customers are suggested to provide accurate and original documents while availing loan, which makes them to pay the instalments in time
3. Customers need to aware of policies and procedure of NBFC's in order to utilize services in better way.
4. Customers have to have knowledge on the repayment period and interest charged on the late payment of the loan taken, which makes them to repay the instalment in time.
5. Customer need to maintain their CIBIL Scores in order to get required loan in time.

12.3: Suggestions to policy makers

1. A suitable legislative amendment regarding NBFC's would go a long way in motivating the trust of the investors and this will contribute greatly to the growth of the Non-banking financial institutions.
2. RBI need to form regulations for insisting all the NBFC's to get a Credit rating for each of the financial year. This credit rating should be made precondition for inviting deposits from the public.
3. Proper credit risk management policies have to be formed to make a NBFC's more profitable. The company can go for factoring technique in order to ensure timely collection of Debit and minimize the credit risk.
4. Reserve Bank of India need to support through reducing its interest rate to NBFC's in case of small size loan on assets can be increase its financial activities to the grass root level and helps to sustain its quality assets.

13. Conclusion

NBFC's are playing significant role in meeting financial requirements of the customers and through small size loan through vehicles and on other assets it is supporting Indian economy indirectly. On the other hand, policies of NBFC's are also providing investment security for the investors. From the present study it is clear that the regulation of the Reserve Bank of India, still not covered under its regulatory framework completely this would difficult for NBFC's to keep raise on investment as well as faith of the investors to develop their strength in the economy. By the narrow downing the study recovery management aspect is today has raised a issue of NBFC's existence in the view of the customers as well as Government.

The present study made an attempt to throw light on recovery aspect much than regulatory aspects, however Reserve Bank of India guidelines NBFC'S even though there is need for the hour to cover completely under its control. NBFC's need to focus much on the credit control mechanism to compete with the banking institutions. There must be certain policy to control debt recovery of the institutions in a narrow manner and also need focus on strategic formulation in means of innovating credit products and versatile policy to raise their faith in the eyes of investors as well as government. Only the sound regulatory policy on recovery management can make survival of the NBFC's to retain the quality of assets and also respondents given balanced opinion on the NBFC's recovery policy in fact, managers are not much convinced with the recovery policy of the Shriram City Union Finance Limited similarly, customers are also not much satisfied with the service of the company. In case of TVS credit services Limited is marginally market good response from the both the group of respondents. Finally this study conclude that a rigid credit control can possible to have efficient recovery management that would motivate to have efficient recovery management by NBFC's and this leads to keep credit in line with the healthy and quality asset fallowed by prosperity leads to raise the profit margin of the institutions with building trust among the investors and also economic development of the economy through contributing to the growth rate of the Indian economy.

14. Scope for further Research:

1. Study on the role of Non -banking financial institutions in the Indian economy.
2. Comparative study among banking and non-banking financial institutions.
3. The study on credit appraisal of non-banking financial institutions.
4. Issues and Challenges in regulatory framework of non-banking financial institutions.
5. Risk analysis of Non-banking financial institution in Investment

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